

**COUNCIL AS A WHOLE COMMITTEE MEETING  
MINUTES  
TUESDAY  
JANUARY 11, 2011**

Council President Mr. Morley opened the meeting at 7:00 p.m. Members of Council in attendance were Mr. Knuchel, Ms. Vaughn, Ms. DePledge, Mr. Hoefle, Mr. D'Ambrosio and Council President Mr. Morley. Mr. Lajeunesse was late in arriving. Also attending was Council Clerk Mrs. Cendroski.

Attending from the Administration were Mayor Andrzejewski, Law Director Klammer, Finance Director Mr. Slocum, Service Director Semik, City Engineer Gwydir, Police Chief Ruth, and Fire Chief Whittington.

Also in attendance were members of the public.

**LEGISLATION PROPOSED:**

01-11-(01): CONDITIONAL USE PERMIT: BMR, LLC DBA WING WAREHOUSE, 35534 VINE STREET, EASTLAKE

01-11-(02): CONDITIONAL USE PERMIT: A & F AUTOMOTIVE, LLC, 1517 C EAST 367<sup>TH</sup> STREET, EASTLAKE

01-11-(03): CONDITIONAL USE PERMIT: KEITH PLATZ DBA REASONABLE AUTO REPAIR, 1427 EAST 328<sup>TH</sup> STREET, EASTLAKE

Mr. Morley: Mr. D'Ambrosio?

Mr. D'Ambrosio: These three items were discussed in the Planning Committee meeting held several weeks ago. We just held the public hearings on them and they appear on the evening's agenda.

01-11-(04): AMENDMENT: CONDITIONAL USE PERMIT: B & R VINE, INC., DBA MANNY'S PLACE, 35647 VINE STREET, EASTLAKE

01-11-(05): AMENDMENT: CONDITIONAL USE PERMIT: FOOSE ENTERPRISES, LLC DBA PETE'S EASTLAKE TAVERN, 33274 VINE STREET, EASTLAKE

Mr. D'Ambrosio: These were amendments to Conditional Use Permits – one for B & R Vine, Inc., dba Manny's Place, 35647 Vine Street, Eastlake. The other was for Foose Enterprises, LLC dba Pete's Eastlake Tavern, 33274 Vine Street, Eastlake. These were approved by the Committee and appear on the evening's agenda.

**LEGISLATION PENDING:**

There was no Legislation Pending.

**MISCELLANEOUS**

CONDITIONAL USE PERMIT RENEWAL: B & R VINE, INC., DBA MANNY'S PLACE, 35647 VINE STREET, EASTLAKE

CONDITIONAL USE PERMIT RENEWAL: FOOSE ENTERPRISES, LLC DBA PETE'S EASTLAKE TAVERN, 33274 VINE STREET, EASTLAKE

Mr. Morley: Mr. D'Ambrosio?

Mr. D'Ambrosio: These were discussed and moved forward by my Committee. I will be making Motions on these during my report.

#### RESOLUTION OF NECESSITY: ADDITIONAL 2.0-MILL TAX LEVY

Mr. Morley: Mayor or Mr. Slocum?

Mr. Slocum: Over the last two days I have distributed a couple charts and information. We need to decide tonight to start the ball in motion by the Resolution of Necessity. We need to decide what mill levy – if any – that we are going to go forward with. I have given you a schedule entitled “Tax Levy Scenarios” which will tell you if we do a 2-mill levy we would raise about \$1,500,000, a 2.5-mill levy about \$1,256,000 and a 3-mill levy about \$1,507,000. I provided today – just to give you an idea of some of the things we will be facing in the City – the reimbursements we are getting from the State both for the electric deregulation and the CAT tax – the CAT tax replaced our intangible tax that the City was collecting and the State agreed to reimburse the City. In 2010 on these two issues alone we collected \$1,113,000. This year it will go down to \$1,068,000, next year \$872,000 and in 2013 \$702,000. In fact this thing will totally disappear about the year 2017. We will not have anything. So, regardless of our other issues we have facing the City this is coming at us and there is absolutely nothing we can do with the disappearance of these items. What I provided yesterday – I have two graphs showing what has happened in this City over the last 5 years. We have seen in 2006 our General Fund revenues decreased from \$14,500,000 to last year we are projecting right now is going to come in at about \$12,873,000 – a difference of about \$1.7 million. A portion of this is due to income tax collections which have dropped from \$7.5 million down to \$6.7 million. We are facing an absolute revenue issue and in the same time period the State has cut the Local Government Fund to the City by about \$300,000 and there is talk that there may be more coming in cuts. For example, the Governor has placed as one of his top legislative priorities the discontinuance of the inheritance tax. That alone will cost us another \$70,000 a year on average of what we receive. It has gone as high as \$100,000 a year. And, if the Governor has his way that will in fact disappear and will not be replaced by anything from the State. We looked at a couple of different things that are causing us some of our problems. The property valuations in the City – in 2007 the property valuations were \$580 million. That is the tax valuation. That has now dropped in 2011 to \$523 million. I am happy to say that the rate of decrease has definitely slowed but it has not stopped. This year from last year alone we have lost 1.67%. We can look at what we are charging from the City – for the tax mills that are in the process of going out – we are charging our residents 5.56 mills. Our residents are being charged totally 58.68 mills. So, if you own a \$100,000 home in the City of Eastlake your total tax bill will come to about \$1,800. Of that \$170 is all the City of Eastlake receives. The rest goes to the various Council agencies, the School Board and the library. If a resident works in the City of Cleveland or any other 2% City surrounding and not in the City of Eastlake the only thing we receive is the real estate tax dollars from that resident. As evidenced by the budget we are currently working on we have a serious hole. Whatever levy you approve tonight will not totally fill but it will go a long way to at least lessening the impact of the problem starting in 2012. I am open for questions.

Mr. D'Ambrosio: You said the total mills charged to Eastlake residents is 58.6 and we collect only 5% of that?

Mr. Slocum: We actually collect 9.48%. We collect 5-mills of that 58.

Mr. Morley: You can go on the Auditor's site and get a total breakdown on the real estate taxes for all of the schools and the rest of the County.

Mr. Slocum: Yesterday, I provided Council with the 2011 municipal real estate tax collections. It actually has been broken down by agency. For example, the City of Eastlake collects 5.56. Our residents also pay the Board of Mental Retardation 4.52. They pay fairly close to the Board of Mental Retardation what they pay to the City.

Ms. Vaughn: Mr. Slocum, if I understood you correctly, you said this will go a long way toward filling this hole. What is the Administration's plan to fill the rest of the hole?

Mr. Slocum: We are hopeful, if I can use that word. A lot of problems we have are due to the decreased income tax collection. We are hopeful as various signs are pointing to a pickup in economic activity that we will actually see that in our income tax numbers. If you look at what we collected in December – the income tax was far more than what we anticipated. We are hopeful it is an indication of what is to come.

Ms. Vaughn: I only question that because I feel extremely uncomfortable with any thought of going back to the residents another after this and I want some sort of assurance that you are not looking in that direction.

Mr. Slocum: I guess I could give you an assurance but as I am pointing out with the State reimbursements we will lose \$1 million right there. We are not here asking to fill that million dollar hole with this. What I am asking for tonight is to actually fill the hold we currently have in our current budget. I am letting Council know – there has been a lot of talk of the 5-year plan and I do support that but it is these types of issues I am trying to bring to the forefront. In three years we are going to lose over \$400,000 that we know of. That is not dependant on anything – it is going to happen unless the Governor – and, in talking with the Auditor's office today – there is some chatter they would like to cut out these reimbursements early. I am making the assumption that will not occur as these were promised earlier to the City.

Ms. Vaughn: I appreciate your candor.

Mr. Morley: It is the recommendation then from the Administration for the 2-mill levy?

Mr. Slocum: I know it is the Mayor's recommendation for the 2-mill – I would like to recommend the 2.5-mill but I know there are some decisions that need to be made as it relates to the passing ability of an issue that I really can't speak to as Finance Director.

Mr. Morley: The 2.5-mill would be about 1/4 million extra?

Mr. Slocum: A quarter million.

Mr. Morley: That is approximately \$1 extra a month compared to the 2-mill levy.

Mr. Slocum: Compared to the 2-mill levy – for an owner of a \$100,000 home the 2-mill levy would cost him \$61 – if we go 2.5-mill it would cost him \$76. So, it is a difference between \$5.10 and \$6.38 a month.

Mr. Morley: So, you feel more comfortable with the 2.5 mill?

Mr. Slocum: From a financial planning aspect I would feel a lot more comfortable with the 2.5-mill.

Mayor Andrzejewski: As Mr. Slocum indicated I am pushing for just the 2-mill levy and my reasoning is I don't want to put all of this on our residents. I feel that the signs in the economy are getting better and that we can anticipate better revenues in 2011 and 2012. That is based on what has happened the last few months and everyone knows that can change. But, my recommendation is the 2-mill.

Mr. Knuchel: As I looked at this option – it was brought up a few months ago in the Mayor's office – we had a discussion about having the smallest possible impact on our residents while still satisfying our current and future needs. At that time we discussed the 2-mill levy. Without looking at a five-year plan which would encompass all of our expenditures and revenues, as well as a five-year comprehensive plan for capital improvements and purchases, I do not believe I can vote positive for any type of levy until I have some type of an idea of what we are looking at in the future as well as what we are looking at this year. As far as this year's budget I saw you made reductions of approximately \$300,000 and we still have a shortfall of \$279,000. A 1-mill would fix that for this first year. But, we would not really get that money until 2012 – that would be the first year that would be assessed. So, we are still in the hole \$279,000.

Mr. Slocum: With the release of the Schedule A that number is currently at \$350,000 because the Auditor has adjusted the collection percentage and we got some of the lost valuation related to the public utility. We are having to make adjustments of about \$70,000 in the General Fund.

Mr. Knuchel: So, we are close to \$350,000?

Mr. Slocum: \$350,000 right now in the hole is where we stand at this moment.

Mr. Knuchel: Right now without knowing a whole lot about where we are going I do not feel comfortable passing any levy with any millage because we do not have enough information to make an informed, intelligent decision on our millage. I have been asking about this 5-year plan for the last two years. Again, the five year plan would have shown us these issues prior to us

being in the situation we are in now where we have to push through this levy legislation. I guess we can all see our revenues are going down and that is a high concern of ours. But, what do we really need? That is the question in my mind and that question has not been answered at this point I time.

Mr. Lajeunesse: Mr. Knuchel, I agree with you on this subject. I believe I do not have enough facts and again last year I voted no on the pool because I felt we did not have enough revenues and I will be voting no on any type of levy this evening.

Mr. D'Ambrosio: Mr. Slocum, I think the five-year forecast is important. I was looking through some of the ones we had from previous years. I thought we had one last year that showed we had a \$1.9 million carryover from this year, didn't it?

Mr. Slocum: The previous Finance Director released a forecast in November, 2009 which indicated there would be a \$1.9 million carryover from 2010 to 2011. Again, we are looking at probably \$500,000 to \$600,000 at this moment.

Mr. D'Ambrosio: I respect what Mr. Knuchel has said – do you think if this was to be put in Committee to hash this out that there would be any other information you could provide that would help people make a decision?

Mr. Slocum: At the current moment my efforts are totally being spent in trying to balance and come up with a plan – not the five-year but a one-year plan. We have a serious problem right now. I can identify the causes and I have tried to provide this to you – it is a reduction in revenues that we are actually collecting. It is not due to overspending. But, it is due to a revenue loss that this City has in fact experienced. It has gone down over a couple of years \$1.7 million.

Mr. Knuchel: Again, I think we all realize the revenues have gone down. The plan you are talking about Mr. Slocum where it showed a \$1.9 million carryover I do not believe was a 5-year plan. If it was it was done prior.

Mr. Slocum: I will be more than happy to share what was given to me from the Council office actually.

Mr. Knuchel: It does not really matter. He did not do a 5-year forecast last year.

Mr. Morley: Here is where I am in this discussion. I don't think it will end up going anywhere tonight so I will be scheduling a Special Council Meeting for Thursday, January 13<sup>th</sup> at 5:45 p.m. and we will discuss it again. I know there are time constraints. If we are going to do this things have to be done by February 2<sup>nd</sup>. I think it is something we need to look at and talk about some more. I will continue to schedule Special Meetings until we do or do not do a levy.

Mr. Lajeunesse: Mr. Slocum, I am going to ask this question of you because I feel comfortable doing it that way. Why did we wait until now to have discussion on this when I felt six months

ago that we were not generating enough revenues? Is there a reason why we waited until the first meeting in January?

Mr. Slocum: I can tell you the reason I did not push this earlier is due to my lack of total familiarity with the budget and with me going through the budget process the last two months I have been able to get myself comfortable as to where the City actually stands. Without the turnover in my position this problem should have come to light earlier – I agree with that. There is no doubt this problem is real and we do need to address it.

There were no further questions or comments.

#### ADJOURNMENT

The meeting adjourned at approximately 7:22 p.m.

dac

APPROVED: \_\_\_\_\_

DATE: \_\_\_\_\_